

To the Copenhagen Stock Exchange and the press

20 August 2003

Interim Report 2003 1 January to 30 June

Nykredit Bank and the Nykredit Bank Group

Further inquiries may be addressed to Mr Henning Kruse Petersen, Chairman, tel +45 33 42 15 10, or Mr Kim Duus, CEO, tel +45 33 42 10 25.

Nykredit Bank's Annual and Interim Reports can be downloaded at Nykredit's website www.nykredit.dk.

First half 2003 in outline

In first half 2003 Nykredit Bank A/S and the Nykredit Bank Group recorded a profit before tax of DKK 247m against DKK 25m in first half 2002. Results are satisfactory and exceed the expectations set out in the annual report for 2002.

The positive development was in part attributable to:

- a sharp rise in the activities of Markets & Asset Management and higher earnings in all key product areas
- positive development in the results of the Corporate Banking area
- continued growth in earnings in the Retail Banking area
- unchanged cost levels

In conclusion, the above added up to a return on equity before tax of 17% pa compared with 1.8% for first half 2002.

Profit and loss account

Group income in the form of interest, fees and value adjustments (net) amounted to DKK 475m compared with DKK 253m in first half 2002. Net income from interest and fees went up by DKK 149m to DKK 458m as a result of an increase in market activity and banking business, continued high refinancing levels and focus on retaining and closing transactions with high margins.

Value adjustments, which were affected by greater stability in credit markets, came to DKK 17m against a negative DKK 56m in first half 2002 when the global turmoil in financial markets had a very negative effect on the item.

The value adjustment of bonds of a negative DKK 42m in first half 2002 changed to an income of DKK 162m in 2003. Derivative financial instruments posted value adjustments of a negative DKK 140m compared with a negative DKK 25m in the same period of 2002. The Bank applies financial instruments, etc on a current basis to hedge interest rate and exchange rate risks, and the development in net interest receivable should therefore be seen in the light of the item "Value adjustments".

Other operating income was up from DKK 9m in first half 2002 to DKK 65m as a result of an income of DKK 52m from the parent company in first half 2003 as payment for advisory services provided in relation to the Group's investments in unlisted equities. Otherwise, the item mainly consists of income from property leases.

Staff costs and administrative expenses were DKK 207m – the same as in first half 2002 and on a par with expectations. Of total expenses, staff costs accounted for DKK 105m up DKK 3m on first half 2002.

The income/cost ratio came to 1.84 against 1.11 in the same period of 2002.

Write-offs and provisions for bad and doubtful debts amounted to DKK 83m against DKK 27m in first half 2002. The rise is an effect of a conservative assessment of some isolated exposures. The Bank's loan portfolio is generally of a high quality, and the provisions ratio continued to be low at

0.8 (30 June 2002: 0.6), while interim write-offs and provisions as a percentage stood at 0.3 (first half 2002: 0.1).

The tax charge for the period has been assessed at DKK 74m (approximately 30%) after which the interim profit came to DKK 173m against DKK 17m in first half 2002.

Balance sheet, equity and capital adequacy

The balance sheet stood at DKK 77.4bn up DKK 13.7bn on end-2002 when the balance sheet stood at DKK 63.7bn.

Relative to end-2002 balances due from credit institutions and the security portfolio increased by DKK 4.6bn and DKK 7.3bn, respectively, mainly as a result of increased repo activities. Loans and advances decreased by DKK 1.3bn to DKK 23.1bn. The item consisted of increased retail lending, while repo transactions, fixed asset loans and fixed-term loans decreased.

Deposits posted DKK 15.9bn equal to a rise of DKK 3.8bn compared with end-2002. The rise can be ascribed to increases in the business volumes of the Retail as well as the Corporate Banking areas.

Capital and reserves grew with the interim profit of DKK 173m as well as nearly DKK 13m deriving from a change in the accounting policies. Capital and reserves subsequently amounted to DKK 2,991m at 30 June 2003 against DKK 2,806m at end-2002. The Group's capital adequacy ratio stood at 9.1 against 9.3 at end-2002.

In the period up to the presentation of the Interim Report, no events have occurred which may affect the assessment hereof.

Outlook for 2003

In consequence of the results for first half 2003, the Bank now expects results for the full financial year to outperform the forecasts made in the Annual Report for 2002.

Accounting policies

The Interim Report for 2003 of Nykredit Bank A/S and the Nykredit Bank Group complies with the Danish Commercial Banks and Savings Banks Act and the Danish Financial Supervisory Authority's guidelines and executive order on the presentation of bank accounts.

The accounting policies are consistent with those applied to the Annual Report for 2002 except for the consequences of changed accounting rules:

From and including 1 January 2003, unlisted securities have been entered at their estimated fair value. According to former practice, unlisted securities were included in the accounts at the lower of cost or market value. The change has resulted in an increase in assets and equity at 1 January 2003 of DKK 13m. Seeing that the effect of such an amount is not considered to be material, comparative figures have been left unadjusted, and the value adjustment has been taken directly to capital and reserves at the beginning of 2003. The changed accounting policies have affected interim results before and after tax by a negative DKK 2m.

Furthermore, leasehold improvements made after 1 January 2003 have been capitalised under tangible assets and will be depreciated over the expected useful life. This change affects neither results nor capital and reserves.

The Interim Report has not been audited.

PROFIT AND LOSS ACCOUNT FOR FIRST HALF 2003

DKK million

THE NYKREDIT BANK GROUP			NYKREDIT BANK A/S		
2002	2003		note	2003	2002
1,461	1,273	Interest receivable	1	1,260	1,450
1,180	859	Interest payable	2	857	1,178
281	414	NET INTEREST RECEIVABLE		403	272
2	7	Dividend from participating interests	3	7	2
77	102	Fees and commissions receivable		76	59
51	65	Fees and commissions payable		63	53
309	458	NET INCOME FROM INTEREST AND FEES		423	280
(56)	17	Value adjustments	4	8	(63)
9	65	Other operating income		65	9
205	207	Staff costs and administrative expenses	5	181	182
5	3	Depreciation, amortisation and write-downs on tangible and intangible assets		2	3
0	0	Other operating expenses		0	0
27	83	Write-offs and provisions for bad and doubtful debts	6	80	25
-	-	Profit from participating interests in associated and subsidiary undertakings	7	14	9
25	247	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		247	25
8	74	Tax on interim profit	8	74	8
17	173	INTERIM PROFIT	9	173	17

BALANCE SHEET AT 30 JUNE 2003

DKK million

THE NYKREDIT BANK GROUP		NYKREDIT BANK A/S			
2002	2003		note	2003	2002
ASSETS					
		Cash in hand and demand deposits with central banks		1,814	38
40	1,826	Balances due from credit institutions and central banks	10	18,224	13,389
13,395	18,226	Loans and advances	11	23,093	26,348
26,443	23,168	Bonds	12	27,297	26,803
26,850	27,346	Shares		75	50
50	75	Participating interests in associated undertakings		11	10
-	-	Participating interests in subsidiary undertakings		149	161
-	-	Tangible assets		260	260
268	267	Other assets		6,493	4,061
4,130	6,513	Prepayments		-	3
3	2	TOTAL ASSETS	13	77,416	71,123
71,179	77,423				
LIABILITIES AND EQUITY					
		Debt to credit institutions and central banks		44,823	42,063
42,140	44,843	Deposits	14	15,980	13,201
13,144	15,937	Other liabilities	15	12,792	12,302
12,338	12,820	Deferred income		10	11
11	12	Provisions for liabilities	16	20	21
21	20	Subordinated debt	17	800	800
800	800				
CAPITAL AND RESERVES					
		Share capital	18	1,400	1,400
1,400	1,400	Share premium account		1,040	1,040
1,040	1,040	Other reserves		52	38
-	-	Revaluation reserves		0	-
0	0	Brought forward from previous years		326	230
268	378	BROUGHT FORWARD FROM THE INTERIM PROFIT		173	17
17	173	TOTAL CAPITAL AND RESERVES		2,991	2,725
2,725	2,991	TOTAL LIABILITIES AND EQUITY		77,416	71,123
71,179	77,423				
OFF-BALANCE SHEET ITEMS					
				2003	2002
2002	2003				
		Guarantees	19	7,887	5,208
5,208	7,887	Other commitments	19	3,909	3,901
3,946	3,927	TOTAL OFF-BALANCE SHEET ITEMS		11,796	9,109
9,154	11,814				

NOTES

DKK million

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		1. INTEREST RECEIVABLE		
348	299	Balances due from credit institutions and central banks	300	348
627	551	Loans and advances	538	616
622	472	Bonds	471	621
(135)	(49)	Total derivative financial instruments	(49)	(135)
		of which:		
(3)	8	Foreign exchange contracts	8	(3)
(132)	(57)	Interest rate contracts	(57)	(132)
(1)	0	Other	0	0
1,461	1,273	Total interest receivable	1,260	1,450
		Of which interest receivable from genuine purchase and resale transactions entered as:		
269	221	Credit institutions and central banks	221	269
79	42	Deposits	42	79
		2. INTEREST PAYABLE		
886	629	Credit institutions and central banks	625	883
278	216	Deposits	218	279
16	14	Subordinated debt	14	16
0	0	Other	0	0
1,180	859	Total interest payable	857	1,178
		Of which interest payable on genuine sales and repurchase transactions entered as:		
443	187	Credit institutions and central banks	187	443
55	18	Deposits	18	55
		3. DIVIDEND		
2	7	Shares	7	2
2	7	Total dividend	7	2
		4. VALUE ADJUSTMENTS		
(42)	162	Bonds	162	(42)
0	(1)	Shares	(1)	0
7	10	Fixed-rate loans and advances	1	-
4	(14)	Foreign exchange	(14)	4
(25)	(140)	Total derivative financial instruments	(140)	(25)
		of which:		
6	34	Foreign exchange contracts	34	6
(26)	(172)	Interest rate contracts	(172)	(26)
-	(1)	Share contracts	(1)	-
(5)	(1)	Other contracts	(1)	(5)
(56)	17	Total value adjustments	8	(63)
-	-	Of which pooled schemes	-	-

NOTES

DKK million

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		5. STAFF COSTS AND ADMINISTRATIVE EXPENSES		
2	2	Executive Board	2	2
0	0	Board of Directors	0	0
2	2	Wages and remuneration to the Executive Board and the Board of Directors	2	2
85	87	Wages	71	69
9	10	Pensions	8	8
8	8	Social security costs	7	8
102	105	Total staff costs	86	85
101	100	Other administrative expenses	93	95
205	207	Total staff costs and administrative expenses	181	182
		6. WRITE-OFFS AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS		
		Provisions:		
166	195	Provisions, beginning of year	180	162
27	82	Provisions for the period (net new provisions)	81	25
8	8	Previously provided for, now lost in the period	6	7
8	(10)	Other additions and disposals	0	0
193	259	Provisions at 30 June	255	180
		Effect on profit:		
27	82	Provisions for the period (net new provisions)	81	25
1	1	Received on claims previously written off	1	0
1	2	Write-offs for which no provisions have been made	0	0
27	83	The effect on the profit for the period	80	25
		7. PROFIT FROM PARTICIPATING INTERESTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS		
-	-	Participating interests in associated undertakings	1	0
-	-	Participating interests in subsidiary undertakings	13	9
-	-	Total profit from participating interests	14	9
		8. TAX ON INTERIM PROFIT		
8	74	Tax on interim profit	74	8
30.0%	30.0%	Current tax rate	30.0%	30.0%
0.2%	(0.1%)	Difference in tax rate of foreign entities from Danish tax rate	(0.1%)	0.2%
1.8%	-	Other non-tax liable and non-deductible items	-	1.8%
32.0%	29.9%	Assessed tax rate	29.9%	32.0%

NOTES

THE NYKREDIT BANK GROUP		DKK million NYKREDIT BANK A/S	
2002	2003	2003	2002
9. FOREIGN ENTITIES			
Foreign entities' share of the profit for H1 2003 generated by interest receivable (net), dividends, fees, value adjustments and other operating income:			
1	1		
			England
1	1		Total foreign entities
10. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
971	2		Balances at call due from central banks
1,424	18,224		Balances due from credit institutions
13,395	18,226	18,224	Total credit institutions and central banks
8,427	14,787	14,787	Of which genuine purchase and resale transactions
11. LOANS AND ADVANCES			
26,443	23,168	23,093	Total loans and advances
6,505	3,247	3,247	Of which genuine purchase and resale transactions
12. SECURITY PROVIDED			
In relation to Danmarks Nationalbank and clearing centres, bonds for a market value of DKK 11.5bn (30.06.02: DKK 1.0bn) have been deposited as security.			
13. FIXED-RATE BALANCES			
Nykredit Bank continuously hedges the interest rate risk of fixed-rate assets and liabilities using eg financial instruments. This enables the Group to control the level of its aggregate interest rate sensitivity in the light of the expected interest rate development.			
Under the accounting standards for banks, fixed-rate assets cannot be written up to a value exceeding the cost of acquisition, and fixed-rate liabilities cannot be marked to market.			
Financial instruments acquired to hedge the interest rate risk involved in these fixed-rate balances have not been marked to market pursuant to the rules of the Danish Financial Supervisory Authority in order to obtain accounting symmetry. For first half 2003 the value adjustment omitted comes to a negative DKK 301m for both Nykredit Bank A/S and the Nykredit Bank Group.			

NOTES

DKK million

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
13. FIXED-RATE BALANCES				
(CONTINUED)				
Book value, hedged fixed-rate assets				
0	0	Balances due from credit institutions	0	0
5,159	5,016	Loans and advances	4,946	5,159
5,159	5,016	Total	4,946	5,159
Market value, hedged fixed-rate assets				
0	0	Balances due from credit institutions	0	0
5,243	5,320	Loans and advances	5,249	5,243
5,243	5,320	Total	5,249	5,243
Underlying financial instruments				
4,789	4,721	Nominal value	4,650	4,789
(81)	(301)	Market value	(301)	(81)
14. DEPOSITS				
3,618	5,923	Demand deposits	5,966	3,675
1	6	Deposits at notice	6	1
9,348	9,691	Time deposits	9,691	9,348
177	317	Special deposit categories	317	177
13,144	15,937	Total deposits	15,980	13,201
2,673	1,680	Of which genuine sales and repurchase transactions	1,680	2,673
15. OTHER LIABILITIES				
7,506	6,061	Negative bond holdings related to repo/reverse transactions	6,061	7,506
1,744	4,162	Negative value of derivative financial instruments	4,162	1,744
3,088	2,597	Interest and commission owing and other liabilities	2,569	3,052
12,338	18,820	Total other liabilities	12,792	12,302
16. PROVISIONS FOR LIABILITIES				
-	-	Provisions for pensions and similar liabilities	-	-
21	21	Provisions for losses related to legal actions	21	21
-	-	Other provisions for liabilities	-	-
21	21	Total provisions for liabilities	21	21

NOTES

DKK million

THE NYKREDIT BANK GROUP			NYKREDIT BANK A/S	
2002	2003		2003	2002
800	800	17. SUBORDINATED DEBT	800	800
500	500	1999 to 31.12. 2006, variable rate	500	500
300	300	2001 to 22.02. 2008, variable rate	300	300
<p>The loans are instalment-free during the terms of the loans and fall due for repayment in full on the dates of maturity. The loans will be settled at par.</p> <p>The subordinated loans form part of the supplementary capital in compliance with the Commercial Banks and Savings Banks Act, Section 22 (1) and are included in full in the capital base. The subordinated loans have been granted by Nykredit Realkredit A/S.</p>				
18. EQUITY AND CAPITAL ADEQUACY				
Capital and reserves at 31 December			2,806	2,708
Change in accounting policies (adjustment of unlisted securities to fair value)			13	0
Adjustm. of "Revaluation reserve by the equity method"			(1)	-
Profit after tax year-to-date			173	17
Capital and reserves at 30 June			2,991	2,725
<p>The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen. The share capital consists of 11 shares in multiples of DKK 1m.</p>				
CAPITAL ADEQUACY:				
Capital base and short-term supplementary capital after deductions			3,594	3,491
3,491	3,594		29,824	27,651
27,695	29,781	Weighted items not included in the trading book	9,445	9,212
9,213	9,451	Weighted items incurring market risk	39,269	36,862
36,908	39,232	Total weighted items	9.1	9.4
9.4	9.1	Capital adequacy ratio		
19. OFF-BALANCE SHEET ITEMS				
GUARANTEES				
4,702	6,907	Financial guarantees	6,907	4,702
506	980	Other guarantees	980	506
5,208	7,887	Total guarantees	7,887	5,208
OTHER COMMITMENTS				
3,593	3,731	Irrevocable loan commitments	3,713	3,548
353	196	Other commitments	196	353
3,946	3,927	Total other commitments	3,909	3,901
9,154	11,814	Total off-balance sheet items	11,796	9,109

NOTES

DKK million

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002 **2003**

2003 2002

20. CONTINGENT LIABILITIES

The operating activities involve the bank in litigation and legal proceedings. The Bank is of the opinion that the outcome hereof will not materially effect its financial position.

GROUP STRUCTURE

Name and registered office	Share capital at 30 June 2003	Capital and reserves at 30 June 2003	Ownership	Interim profit/loss after tax	Group balances due from the undertaking	Group debt to the undertaking	Group off-balance sheet items relating to the undertaking
	Million	DKKm	%	DKKm	DKKm	DKKm	DKKm
Consolidated subsidiaries:							
Nykredit Finance plc, Plymouth	GBP 3	38	100	0.5	0	40	0
Nykredit Portefølje Bank A/S, Copenhagen	DKK 40	70	100	4.5	0	11	0
Norswood Properties Limited, Plymouth	GBP 0	1	100	-	0	0	0
Nykredit Pantebreve A/S, Copenhagen	DKK 5	20	100	3.3	135	13	5
Nykredit Pantebrevsinvestering A/S, Copenhagen	DKK 5	16	100	0.7	108	0	0
Nykredit Leasing A/S, Copenhagen	DKK 1	2	100	(0.2)	58	0	0
Associated undertakings							
LeasIT A/S, Lyngby-Taarbæk (consolidated on a pro rata basis)	DKK 11	11	28.4	3.3	164	0	0

KEY RATIOS – THE NYKREDIT BANK GROUP

	H1 1999	H1 2000	H1 2001	H1 2002	H1 2003
CAPITAL ADEQUACY AND CAPITAL					
Capital adequacy ratio	9.8	9.4	9.8	9.4	9.1
Core capital ratio	9.8	7.9	7.4	7.2	7.1
EARNINGS					
Return on equity before tax	1.3%	1.9%	4.7%	0.9%	8.5%
Return on equity after tax	1.0%	0.9%	3.3%	0.6%	6.0%
Income/cost ratio	1.16	1.18	1.55	1.11	1.84
MARKET RISK					
Interest rate risk	1.0%	0.4%	2.1%	1.4%	2.5%
Foreign exchange position	7.5%	9.6%	13.9%	10.6%	11.1%
Exchange rate risk	0.0%	0.0%	0.2%	0.3%	0.3%
LIQUIDITY					
Excess cover relative to statutory liquidity requirements	191.8%	55.9%	173.2%	190.1%	88.9%
CREDIT RISK					
Total major exposures	633.9%	599.2%	438.1%	405.2%	335.0%
Provisions ratio	0.8	1.1	0.6	0.6	0.8
Write-offs and provisions as a % for the period	0.1	0.1	0.0	0.1	0.3
Growth in loans and advances for the period	44.0%	17.9%	36.4%	18.5%	(5.3%)
Loans and advances relative to capital and reserves	6.8	8.4	8.8	9.7	7.7

KEY RATIOS - NYKREDIT BANK A/S

	H1 1999	H1 2000	H1 2001	H1 2002	H1 2003
CAPITAL ADEQUACY AND CAPITAL					
Capital adequacy ratio	9.6	9.7	9.8	9.4	9.1
Core capital ratio	9.6	8.1	7.4	7.3	7.1
EARNINGS					
Return on equity before tax	1.3%	1.9%	4.7%	0.9%	8.5%
Return on equity after tax	1.0%	0.9%	3.3%	0.6%	6.0%
Income/cost ratio	1.18	1.24	1.60	1.12	1.94
MARKET RISK					
Interest rate risk	1.0%	0.4%	2.1%	1.4%	2.5%
Foreign exchange position	7.5%	9.6%	13.9%	10.6%	11.1%
Exchange rate risk	0.0%	0.0%	0.2%	0.3%	0.3%
LIQUIDITY					
Loans, advances and provisions made in respect hereof relative to deposits	135.8%	128.1%	248.1%	201.0%	146.1%
Excess cover relative to statutory liquidity requirements	168.6%	46.3%	171.6%	189.5%	88.2%
CREDIT RISK					
Total major exposures	618.0%	593.6%	438.1%	405.2%	335.0%
Provisions ratio	0.2	0.7	0.6	0.6	0.8
Write-offs and provisions as a % for the period	0.1	0.2	0.0	0.1	0.3
Growth in loans and advances for the period	75.3%	40.0%	36.3%	18.6%	(5.1%)
Loans and advances relative to capital and reserves	3.7	5.5	8.7	9.7	7.7